



4 STEPS TO FINANCIAL SUCCESS

(An easy way to financially prepare for the New Year)

If you're a college student who wants the guidance of a financial planner but can't afford the high price tag, just follow these four simple steps and take charge of your own financial plan.

Step 1: Take Your Financial Snapshot

You need to know exactly what you're working with: your assets, liabilities, income, and expenses.

Recognizing these items is very important if you want to manage your money the right way. First, focus on your assets and liabilities. Assets are the things you own and liabilities are things you owe. Write all of your assets and liabilities on a sheet of paper and assign dollar values to each of them. Next, you can calculate your net worth by subtracting the value of your liabilities from your assets.

Step 2: Define Your Goals

Take the list of assets and liabilities you wrote down and next to them write what you would like to own

and what you owe. There's no wrong answer and your goals don't have to be limited to just assets and liabilities. Think of vacations, gifts, and family, too. Once you've written down your list of goals, rank them in order of importance. By writing down your goals and prioritizing them, you're already on your way to achieving them. If you don't believe in the importance of writing down your goals then consider this: A famous Yale study found that the 3% of Yale graduates who had written goals had more wealth years later than the other 97% of the class combined.

Step 3: Manage Your Cash Flow

Next you need to manage your cash flow in such a way that allows you to fund your goals. Your cash flow

program will need to be tailored to your specific needs.

Cash flow management is the most important part of your financial plan. A simple cash flow worksheet will allow you to quickly identify how much you spend, how much you earn, whether you have a monthly cash flow profit or loss, and how much more you need to earn to turn a monthly loss into a profit.

To set up your cash flow worksheet, first write down all of your income sources. Below that, write down your expenses by breaking them down into two broad categories: fixed expenses

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(housing, food, etc.) and discretionary expenses (entertainment, recreation, etc.), followed by the individual spending categories.

Next, you should total your income and expenses and find out what your monthly profit (or loss) is. Once you do this exercise you'll see for the first time what your spending patterns are.

Now that you know exactly what you're spending money on you'll be able to see where

you can cut back and how much more you need to earn to break even. If you have a profit, start building a cash reserve.

Step 4: Build a Cash Reserve

This final step is about building a safety net or cash reserve big enough to get you through hard financial times.

How much is enough? Look at your cash flow worksheet and see what your average monthly expenses are. Multiply your monthly amount by three and this will tell you the minimum cash reserve you should have. If you want to be more cautious, set aside six months of living expenses instead.

You should keep your cash reserve in a savings account or CD (certificate of deposit) at a bank or credit union. The nice thing about these options is that your money will earn interest, which means it's working for you even when you're not.

By building a cash reserve you're providing yourself with options and creating a cushion to soften the blow of unemployment or unexpected bills. Remember, it's never too early to get serious about your money and you're never too young to learn. You don't need to pay a financial planner to tell you it's going to be up to you to take care of your money and make smart, disciplined financial decisions. **YM**

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